

SAC, San Francisco

June 22, 1954

SE-32

Director, FBI (46-New)

RECORDED - 23

IRREGULARITIES IN DISPOSAL OF
SURPLUS PROPERTY BY GENERAL SERVICES
ADMINISTRATION;
CONGRESSMAN SAMUEL W. YORTY - COMPLAINT
FRAUD AGAINST THE GOVERNMENT; BRIBERY

Attached to this memorandum and to the copies designated for the Portland and Seattle Divisions is a Photostat of a self-explanatory memorandum dated June 17, 1954, from the Criminal Division, together with Photostats of the enclosures referred to therein.

The San Francisco Division will immediately locate and interview [redacted] to ascertain all facts regarding his complaint to Congressman Samuel W. Yorty. The results of this interview of [redacted] should be submitted in an investigative report to reach the Bureau by July 9, 1954. Leads should be set forth for all interested offices with instructions to afford this matter immediate attention and to submit reports promptly.

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Attachment

cc: Portland (Attachment)
1 Seattle (Attachment)

989-1

JUL 15 1954

INCLOSURE

N. 1111

Department of Justice

1954

The Honorable Herbert Brownell Jr.
 The Attorney General
 Washington 25, D.C.

Dear Mr. Brownell:

At various times my office has received complaints concerning alleged irregularities in the disposal by the Government of surplus property. Usually, the person making the complaint is unwilling either to identify himself by his charges or to actively assist in an investigation.

For instance, not long ago, while I was witnessing one of our surplus property auctions, a person stepped up to me, identified himself as a small merchant, and asserted that auctioneers hired by the Government have "lots" when they manage to favor at such auctions. He claimed that auctioneers arranged the "lots" in such sizes as to preclude bidding by small dealers and that they had other methods of favoring their friends who made a profession of dealing in surplus property.

It is not illogical that efforts should be constantly made to prevent our attempts to prevent fraud and favoritism in the disposal of surplus property. It is important therefore that we keep vigilant watch over sales of such property whether by negotiated sale, bids, or auctions.

This brings me to a specific case I desire to bring to your attention. [REDACTED] representing the Eastern States Development Company, recited to me a chain of events involving a surplus property sale, which caused me to feel the matter deserved careful scrutiny. It appears possible that a group of junk dealers acting in collusion may be in a position to exert undue pressure to prevent sale to an outsider of surplus property, in this case the surplus alcohol plant at Springfield, Oregon.

I requested Mr. [REDACTED] to reduce to writing the facts he recited to me. He has done this in the form, and I am herewith transmitting a copy of the letter to you. I feel confident you will want to look into this matter and that he will be able to supply the information requested.

I am, Sir, very respectfully,
 Your obedient servant,
 [Signature]

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United we are. [redacted] in the Executive branch to properly handle
affairs such as this, integration of partnership, it seems to me our
government is not functioning in accordance with our Constitution. Perhaps
at this time, an emergency will be found, but persons seeking to improperly
influence governmental action are bound to turn to the law and then to justice
for the winning of justice.

Persons of both Korean and American descent are a team to fight for
justice as well as intervention. In this spirit, I respectfully
ask that you please to join our cause and your detention to be removed.

Sincerely,

6/1/12

Congressman Samuel W. ...
Washington, D. C.

May 9, 1954

Dear Mr. Yorty:

On August 26, 1950, the General Services Administration published an advertisement in a number of papers throughout the country offering for sale a surplus alcohol plant owned by the Government at Springfield, Oregon.

The advertisement said offers would be considered in the following order of preference:

1. Purchase for use in place for production of alcohol or other products.
2. Purchase for removal of equipment to other locations for use of purchasers, and development of other industry on the premises.
3. Purchase for removal and resale of machinery and materials and further disposal of property by whatever means found possible.

In addition to the advertisement, invitations to bid were sent to 122 firms and individuals. Neither the advertisement nor the invitation to bid carried any intimation that the GSA had set a minimum price for the property, below which bids would be rejected. Bidders were left with the impression that a high bid would

The bid was not received, indicating a lack of interest in the project. The plant had been shut down for two years. The bid was received in 1953, in the Battle office of GSA, and the Western States Development Co., of San Francisco was the high bidder. The bids were:

40-111700-1-

Western States Development Co.	\$ 186,500
Perez Epstein, Philadelphia	175,150
Indies, Inc., Cincinnati	174,500
Hugo Nu Corp., Nassau, N.Y.	153,750
Alaska Junk Co., Seattle	128,874
California Bag & Metal Co., Portland.	88,000

At the times the bids were opened the statement was made that the Western States Development Co. was the only bidder who qualified in every respect. X

[redacted] the Independent Iron Works, Inc., of Oakland, Calif., one of the largest steel fabricators in Northern California; and [redacted] associated with the Oregon Rolling Mills, Portland, Oregon, and the Gilmore Steel Co., of Oakland, Calif.

The determination that the Western States Development Co. was the high bidder set in motion a sequence of unusual events:

1. A call from a San Francisco junk dealer, offering "\$10,000 for the deal," which when turned down was followed by a veiled threat that acceptance of the high bid would be blocked.
2. A visit by two individuals representing some of the unsuccessful bidders proposing that the Western States Development Co. partnership be expanded to take them in so that the acceptance of the bid might be assured.
3. A visit by [redacted] a San Francisco junk dealer, to the GSA office in Seattle, where he proposed that all bids be rejected and that the property be turned over to him to be sold on a fee basis.

[redacted] had been among those invited to bid but had received [redacted] Section A of the invitation to bid had [redacted] "for purchase only." [redacted]

[redacted] of GSA in Seattle, indicated that he was entertaining the junk dealer's proposal.

[redacted] said that similarly negotiated arrangements with [redacted] had worked out to the advantage of the Government in the past. But he was at a loss for an explanation when asked why [redacted] had failed to enter a bid if the junk dealer considered the property worth more than the high bid.

The junk dealers may or may not have had influence with the GSA, but at least they were good prophets. The high bid of the Western States Development Co. was rejected.

The reason given was the refusal of the company to pay an arbitrary price of \$400,000 set on the property by the GSA. The agency says this is the "fair value" of the plant on an operating basis for the production of alcohol from wood waste. But at the same time it admits the plant was a "wartime-built experiment project," based on a German process developed before World War II, which had never been proved out commercially. Its own report says production of alcohol at the plant is not feasible except in a time of national emergency when costs can be neglected. And the same report points out that alcohol from petroleum and natural gas can be produced at some one-tenth the cost.

40-21089-1-

A study made in 1952 by engineers and scientists of the Weyerhaeuser Timber Co., the largest forest products company in the world, confirmed this. The GSA says the study "resulted in that company's loss of future interest."

Two attempts to manufacture alcohol profitably at the plant failed. One in 1947 resulted in 2 or 3 carloads of industrial alcohol, and in 195-52 16 carloads were produced. Since then the plant has been shut down.

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The GSA's own appraisers are reported to have valued the property at \$180,000, as a non-operating facility, or \$6,500 less than the high bid made by the Western States Development Co. And the company is convinced that the arbitrary price of \$400,000 placed on the plant is merely a pretext to deprive it of the property, that no minimum was stipulated by the GSA when it solicited bids, and that the question of price was not raised until the expiration period had been reached for acting on the bid.

In the six months between the opening of the bids and the rejection of the high bid, the Western States Development Co. has spent about \$25,000 to meet conditions set up by the GSA. It feels that the action of the GSA was improper and unethical, and requires explanation.

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The first meeting after the bids were opened between Seattle regional officers of the GSA and the Western States Development Co. was held on Nov. 10, 1953, in the office of [redacted]. This was three days before [redacted] made his unusual proposal to the GSA, but already [redacted] appeared to be searching for an excuse to reject the high bid, the only one made by a non-junk dealer.

At that time [redacted] asked the company to clarify what they intended to take to operate the plant either for the production of alcohol or for other product. He instructed [redacted] regional property disposal officer, to spell out the information wanted in a letter to the company. The letter, dated the same day, said:

"Your bid indicates an intention to use the premises and property or a part thereof for the production of alcohol, pro-

vided that after a thorough investigation and survey to determine the availability of raw materials, you find that this can be done economically.

"The information contained in your bid regarding your intended use for production of alcohol is not complete enough to permit the measurement of the extent of the investigation and survey you propose to make. You are hereby offered an opportunity to submit any information you may consider of value to this office in evaluating your bid relating to Section C, numbered paragraph 7, Invitation for Bids, Bid 10PS-24, to indicate the extent to which investigations and surveys will be made. This information to reach this office not later than November 30, 1953."

In its high bid, the Western States Development Co. had

said:

"It is our present intention to use the premises, or a part thereof, for the production of alcohol, provided that we find this can be done economically after a thorough investigation and a survey has been made to determine the source of raw materials to operate the plant."

"In addition, considering the information we have gathered from the local banks and the Chamber of Commerce indicating business activity and the fast growth and population increase in the past ten years, it is our intention to open and operate a steel fabricating business, steel jobbing and distribution of general hardware, steel products, pipe, valves, fittings, wire rope and logging equipment."

On November 22, 1954, the company replied to

as follows:

"If the award is made to us pursuant to our bid, as stated to you, we intend and are prepared to expend a sum between \$12,000 and \$25,000 in the investigation and survey of the potentialities set forth in our bid, which should be a sufficient amount to permit estimates received from us. We have been advised by the local banks and Chamber of Commerce for the purpose of conducting the investigation and survey. If you desire, we can submit a detailed report of our investigation and survey with the firm's name and address, and their cooperation."

"The firm is a well known firm, with a record of 98% of successful projects. The firm is known as the W. S. Reuben Co., Cleveland, Ohio, who are considered to be outstanding consulting engineers and designers of alcohol plants in the United States."

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Raymond Concrete Pile Co., 140 Cedar St., New York City.

Kaiser Industries, 1924 Broadway, Oakland, Cal.

Sandwell & Co., consulting engineers of Vancouver, Canada.

Bechtel Corp., 220 Bush St., San Francisco.

In the same letter, [redacted]
in the Western States Development Co., pointed out:

"Since the writer's return to San Francisco, he has talked to [redacted] of Raymond Concrete Pile Co., and has been assured that any information or letters you might require can be furnished. He stated that engineers will be sent from New York to assist us in our survey and investigation.

"The writer also spoke to [redacted] of Morrison & Knudsen Co., who will make arrangements for an interview with the H.K. Ferguson Co. in Cleveland, to assist us in formulating our program.

"The writer also talked with [redacted]
[redacted] or Kaiser Co., who stated he will be glad to substantiate our statements as to the cooperation of his company.

"As mentioned to you, [redacted] of Sandwell & Co., is an outstanding consulting engineer, and at the present time is engaged in a \$40,000,000 pulp and paper project in which the writer is associated with Raymond Concrete Pile Co., Merritt-Chapman-Scott and Fletcher Holdings, Ltd. as joint venturers. [redacted] is prepared to start immediately on our intended program."

Two days later, on Nov. 24, [redacted]
[redacted] representative of the Western States Development Co., called on [redacted] to find out if the information in the letter of Nov. 22, from [redacted] met the requirements of the GSA. [redacted] reported that [redacted] "stated unequivocally that it did, and that the GSA expected to make a favorable recommendation. [redacted] [redacted] within the GSA, set up by Regional Director [redacted] to consider the matter.

That same afternoon [redacted] informed [redacted] that he had two appraisals of alcohol plant, one for \$400,000, and one

considerably less. [redacted] pointed out that the GSA had received several bids in the same general price range, which should indicate the market value of the plant. He also quoted [redacted] as saying he would like to dispose of plant to WSDCO., "but seemed to have reservations -- seemed to be hedging. There is something not yet uncovered," [redacted] reported.

On Dec. 4, 1953, the Western States Development Co., supplemented its letter of Nov. 22, with the following pledge:

"In the event the award is made to us pursuant to our bid, we agree for a period of one year to explore the on site use of the facilities in whole or in part for the production of aluminum or for any other use for which the facilities could be adapted, and we further agree that during the period none of the equipment will be dismantled for salvage purposes.

"If such exploration conclusively develops that no in-place use can be made of the facilities, we will then use the plant, buildings and land for the purpose of steel fabrication, manufacture and distribution of wood products and/or any other adaptable industry or industries."

Earlier the GSA had informed the company that the approval of Congressman Harris Ellsworth, in whose district the plant was located, was necessary before action could be taken on its bid.

Both Congressman Ellsworth and Senator Guy Cordon gave their approval, after the Springfield Chamber of Commerce and the Oregon State Development Commission were satisfied that a genuine effort would be made to establish a going industry in the area.

[redacted] of the GSA as to the con-
[redacted] Mr. Braden shifted
[redacted] the price bid inadequate,
even though it was higher than the Government appraisal of the property as a non-operating facility. And it must be remembered

that the GSA invitation to bid did not stipulate any minimum price, below which bids would be rejected.

If price was to be the factor, then that could have been determined the day the bids were opened. There was no need to send the Western States Development Co. chasing all over the country getting approvals and making investigations and surveys to determine the best use of the plant.

The company finally took the matter up with Mr. Edmund F. Mansure, Administrator of the GSA in Washington. [redacted] left the meeting feeling that an agreement had been reached to secure an independent appraisal to determine the value of the property before any action would be taken to reject the bid of the company.

Instead, he received a letter dated Jan. 6, 1954, signed by [redacted] Surplus Real Property Division, which said:

"The Regional Director, General Services Administration, Seattle, Wash., will be notified to reject all bids received at the bid opening for disposal of this property on Nov. 10, 1953, because of inadequacy of price and in accordance with the right reserved in Section B(2) of the Invitation for Bids. Since the bid of the Western States Development Co. was the highest received as the result of public advertising, the Regional Director will be instructed to make an independent determination of what is the best and final offer that would be willing to make for the purchase of Plant No. 1173.

[redacted] was out of the country on business for several weeks and the company was given until the middle of April to negotiate because of his absence. 8

The position of the Government was that the negotiation should consist simply of a "yes" or "no" to the demand that \$400,000 be paid for the property.

Finally, on April 14, the Western States Development Co. was notified by the GSA that negotiations were terminated by the company's refusal to pay the \$400,000 price for the property, that there was no time to allow for an independent appraisal, and that the property would be readvertised for sale.

On April 20, 1954, the company wrote the Administrator protesting the arbitrary action. [REDACTED]

[REDACTED] 40-21989-1-

"I respectfully would like to go on record in stating that I believe the action of General Services Administration in rejecting our bid and not allowing for reasonable negotiations by arbitrarily setting the market value at \$400,000 is highly unethical. It is our firm belief that this figure does not represent the fair market value of the plant and that readvertising will not result in producing a buyer for any such sum."

The letter by [REDACTED] also asked "if General Services Administration would reject the bids on readvertising in the event all of them are under the sum of \$400,000."

"If such would be your intention," his letter said, "it occurs to me that fair dealing would require that you specify on such readvertising that the minimum purchase price to be considered would be the sum of \$400,000. I might add that had such a minimum sales price been provided for in the first instance, it would have covered the time consumed and expenses incurred."

An appeal from the rejection of the high bid was taken to the Administrator, in accordance with department regulations. A hearing was first set on the appeal for May 27, 1954, before

H. M. Kurth, chairman of the Board of Review.

But a later communication from the GSA denied a hearing. It said the GSA had changed its mind about listening to the appeal of the Western States Development Co. and that no hearing would be held. The rejection of the high bid was final and there was to be no discussion about it.

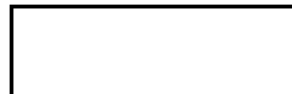
The significance of the whole proceeding is that it effectively discourages outsiders from bidding on Government surplus property. It means a tendency to confine bids to those who specialize in the handling of such property. And the cost to the Government may run into millions if bidding is restricted to such a narrow coterie.

Moreover, it is strange that a San Francisco junk dealer was able to predict the Government action a few days after bids were opened, and months before final action was taken to reject the high bid. One almost wonders if certain junk dealers are setting GSA policy.

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Yours very truly,

WESTERN STATES DEVELOPMENT CO.

By:



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FEDERAL BUREAU OF INVESTIGATION

FD-79
(6-10-53)

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Case No. 1
CASE ORIGINATED AT SAN FRANCISCO

REPORT MADE AT SAN FRANCISCO	DATE WHEN MADE 7/1, 2, 19/54	PERIOD FOR WHICH MADE 7/1, 2, 19/54	REPORT MADE BY bas
UNKNOWN SUBJECTS, ALLEGED IRREGULARITIES IN DISPOSAL OF SURPLUS PROPERTY BY GENERAL SERVICES ADMINISTRATION; CONGRESSMAN SAMUEL W. TORTH - COMPLAINANT			CHARACTER OF CASE FRAUD AGAINST THE GOVERNMENT; BRIBERY

SYNOPSIS OF FACTS:

General Services Administration, Central Office, advertised for bids on sale of Alcohol Plant, Springfield, Oregon, with bids to be opened 11/10/53. Western States Development Co., SF, Calif., made high bid of \$186,500. Six other bids received after discussions between Western States Development Company owners and GSA officials. Minimum price \$100,000 set and negotiations discontinued. Officers of Western States Development Co. claim they were only bidder who was not in the junk or scrap metal business and only one indicating intention to operate the plant at its site. Representatives of unsuccessful bidders contacted

[redacted] in the Western States Development Co., wanting the partnership expanded to take them into the deal in order to insure acceptance of the bid. SF junk dealer contacted officer of Western States Development Co. offering \$10,000 for the deal and indicated if this not accepted the high bid would be blocked.

[redacted] a junk dealer with offices in Seattle, SF, Los Angeles, and possibly other West Coast cities, contacted GSA office, Seattle, and proposed that all bids be rejected and property turned over to him to be sold on fee basis. Officers of Western States Development Co. made numerous contacts with Chamber of Commerce officials, Eugene and Springfield, Oregon, as well as Oregon Development Commission and had assurance from those agencies as well as Congressman ELLSWORTH of Oregon, that they met all requirements. Negotiations broken off and Western States Development Co. deposit returned and plant has been re-advertised for new bids to be open 9/15/54.

46-2198945-1

APPROVED AND FORWARDED: [Signature]	SPECIAL AGENT IN CHARGE	DO NOT WRITE IN THESE SPACES
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U. S. GOVERNMENT PRINTING OFFICE 16-60627-2

SF 46-2048

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DETAILS:

The following investigation is predicated on request received by the Bureau through the Department of Justice after that Department received a copy of a letter to Congressman SAMUEL W. YORTY written by [redacted] Representative of the Western States Development Company.

This is a joint report by SA [redacted] and the writer:

AT SAN FRANCISCO, CALIFORNIA

[redacted] was contacted on July 1, 1952. At that time he advised that he was going out of town for approximately ten days and did not desire to be interviewed until his return. He advised that after he returned from his back trip he would arrange an appointment with [redacted] the Western States Development Company.

The following is a quote of the letter dated May 9, 1954 written by [redacted] to Congressman YORTY. It is being set out in its entirety to present the picture as supplied by [redacted] and explained to Congressman YORTY at a meeting in Washington, D.C. a few days prior to the letter. Amplifications of parts of the letter will follow:

"Congressman SAMUEL W. YORTY
Washington, D. C.

"May 9, 1954

"Dear Mr. Yorty:

"On August 26, 1953, the General Services Administration published an advertisement in a number of papers throughout the country offering for sale a surplus alcohol plant owned by the Government at Springfield, Oregon.

"The advertisement said offers would be considered in the following order of preference:

"1. Federal Government
2. State Government
3. Local Government
4. Private individual or corporation
5. Foreign Government or corporation
6. Any other person or corporation

"2. Purchase for removal of equipment to other locations for use of purchasers, and development of other industry on the premises.

"3. Purchase for removal and resale of machinery and materials and further disposal of property by whatever means found possible.

"In addition to the advertisement, invitations to bid were sent to 122 firms and individuals. Neither the advertisement nor the invitation to bid carried any intimation that the GSA had set a minimum price on the property, below which bids would be rejected. Bidders were left with the impression that a high bid would be accepted.

"Only six bids were received, indicating a lack of interest in the property, which had been shut down for two years. The bids were opened Nov. 10, 1953, in the Seattle office of GSA, and the Western States Development Co., of San Francisco was the high bidder. The bids were:

"Western States Development Co.	\$ 186,500
Perez Epstein, Philadelphia	175,150
Indies, Inc., Cincinnati	174,500
Hugo Nu Corp., Nassau, N.Y.	153,750
Alaska Junk Co., Seattle	128,874
California Bag & Metal Co., Portland	88,000

"At the times the bids were opened the statement was made that the Western States Development Co. was the only bidder who qualified in every respect.

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[redacted] the Independent Iron Works, Inc., of Oakland, Calif., one of the largest steel fabricators in Northern California; and [redacted] associated with the [redacted] Steel Co., of [redacted], [redacted].

Western States Development Co.
[redacted]

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- "1. A call from a San Francisco junk dealer, offering \$10,000 for the deal, which when turned down was followed by a veiled threat that acceptance of the high bid would be blocked.

- "2. A visit by two individuals representing some of the unsuccessful bidders proposing that the Western States Development Co. partnership be expanded to take them in so that the acceptance of the bid might be assured.

12. A visit by [redacted] a San Francisco junk dealer, to the USA office in Seattle, where he proposed that all bids be rejected and that the property be turned over to him to be sold on a fee basis.

[redacted] had been among those invited to bid but had declined to do so. And although section A of the invitation to bid had stipulated "Bids must be for purchase only," [redacted] of GSA in Seattle, indicated that he was entertaining the junk dealer's proposal.

[redacted] said that similarly negotiated arrangements with [redacted] had worked out to the advantage of the Government in the past. But he was at a loss for an explanation when asked why [redacted] had failed to enter a bid if the junk dealer considered the property worth more than the high bid.

"The junk dealers may or may not have had influence with the GSA, but at least they were good prophets. The high bid of the Western States Development Co. was rejected.

"The reason given was the refusal of the company to pay an arbitrary price of \$400,000 set on the property by the GSA. The agency says this is the "fair value" of the plant on an operating basis for the production of alcohol from wood chips. But at the same time it admits the plant was a "long-term built experiment project," based on a German process which had never been used before in the U.S. It said the government's production of alcohol from wood chips would take years and cost millions more than the plant could produce.

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"Your bid indicates an intention to use the premises and property or a part thereof for the production of alcohol, provided that after a thorough investigation and survey to determine the availability of raw materials, you find that this can be done economically.

"The information contained in your bid regarding your intended use for production of alcohol is not complete enough to permit the measurement of the extent of the investigation and survey you propose to make. You are hereby offered an opportunity to submit any information you may consider of value to this office in evaluating your bid relating to Section C, numbered paragraph 7, Invitation for Bids, Bid LOPS-24, to indicate the extent to which investigations and surveys will be made. This information to reach this office not later than November 30, 1953."

"In its high bid, the Western States Development Co. had said:

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"It is our present intention to use the premises, or a part thereof, for the production of alcohol, provided that we find this can be done economically after a thorough investigation and a survey has been made to determine the source of raw materials to operate the plant."

"In addition, considering the information we have gathered from the local banks and the Chamber of Commerce indicating business activity and the fast growth and population increase in the past ten years, it is our intention to open and operate a steel fabricating business, steel jobbing and distribution of general hardware, steel products, pipe, valves, fittings, wire rope and logging equipment."

"On November 2, 1953, the company replied to Mr. [redacted] as follows:

"We are sorry that we cannot give you a more definite answer at this time. We are still in the process of making a survey of the area and are not yet in a position to make a final decision. We will keep you advised as soon as we have more information."

"by us. We have been assured of the services of competent engineers for the purpose of making such investigation and survey and if you desire, we can substantiate this assurance. We enjoy a close relationship with the following reputable corporations who have offered their cooperation.

"Morrison & Knudsen Co., Boise, Ida., owner of 70% of the stock of the H. K. Ferguson Co., Cleveland, Ohio, who are considered to be outstanding consulting engineers and designers of alcohol plants in the United States."

"Raymond Concrete Pile Co., 140 Cedar St., New York City.

"Kaiser Industries, 1924 Broadway, Oakland, Cal.

"Bechtel Corp. 220 First St. S. Vancouver, B.C. Canada.

"Bechtel Corp., 220 Bush St., San Francisco

"In the same letter, [redacted] in the Western States Development Co. pointed out:

" Since the writer's return to San Francisco, he has talked to [redacted] of Raymond Concrete Pile Co., and has been assured that any information or letters you might require can be furnished. He stated that engineers will be sent from New York to assist us in our survey and investigation.

"The writer also spoke to [redacted] of Morrison & Knudsen Co., who will make arrangements for an interview with the H. A. Ferguson Co. in Cleveland, to assist us in formulating our program.

" The writer also talked with

be willing to sell to [redacted] Co., who stated
[redacted] is to the [redacted]

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"is engaged in a \$10,000,000 pulp and paper project in which the writer is associated with Ray and Concrete Pile Co., Merritt-Chapman-Scott and Fletcher Holdings, Ltd. as joint venturers. [redacted] is prepared to start immediately on our intended program."

"Two days later, on Nov. 24, [redacted] representative of the Western States Development Co., called on [redacted] to find out if the information in the letter of Nov. 22, from [redacted] met the requirements of the GSA. [redacted] reported that [redacted] stated unequivocally that it did, and that the GSA expected to make a favorable recommendation to a local four-man board within the GSA, set up by [redacted] to consider the matter."

"That same afternoon Mr. GREEN informed [redacted] that he had two upgraders of alcohol plant, one for \$400,000, and one considerably less. [redacted] pointed out that the GSA had received several bids in the same general price range, which should indicate the market value of the plant. He also quoted [redacted] as saying he would like to dispose of plant to WSDCo., but seemed to have reservations -- seemed to be hedging. There is something not yet uncovered," Mr. RUMI reported.

"On Dec. 4, 1953, the Western States Development Co., supplemented its letter of Nov. 22, with the following pledge:

"If the plant is made to us pursuant to our bid, we agree for a period of one year to explore the on site use of the facilities in whole or in part for the production of alcohol or for any other use for which the facilities are suitable, and we further agree that during this period the plant will be available for use by us or any other industry or industries."

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"Earlier the GSA had informed the company that the approval of Congressman HARRIS EILSWORTH, in whose district the plant was located, was necessary before action could be taken on its bid.

"Both Congressman ELLS BORTH and Senator GUY CORDON gave their approval, after the Springfield Chamber of Commerce and the Oregon State Development Commission were satisfied that a genuine effort would be made to establish a going industry in the plant to provide a payroll for the area.

"After the obstacles raised by the GSA as to the contemplated use of the plant were overcome, [redacted] shifted his position to that of considering the price bid inadequate, even though it was higher than the Government appraisal of the property as a non-operating facility. And it must be remembered that the GSA instructions did not stipulate any minimum price, below which bids would be rejected.

"If price was to be the factor which that could have been determined the day the bids were opened. There was no need to send the Western States Development Co. chasing all over the country getting approvals and making investigations and surveys to determine the best use of the plant.

"The company finally took the matter up with Mr. EDWARD F. MANSURE, Administrator of the GSA in Washington. [] [] left the meeting feeling that an agreement had been reached to secure an independent appraisal to determine the value of the property before any action would be taken to reject the bid of the company.

"Instead, he received a letter dated Jan. 6, 1954, signed by THOMAS L. MITCHELL, Director, Surplus Real Property Division, which said:

1. The Department of the Interior, Bureau of Land Management, received a letter from the National Park Service, dated May 10, 1966, regarding the proposed acquisition of land for the establishment of a National Park in the State of Alaska.

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"highest received as the result of public advertising, the Regional Director will be instructed to discuss with you and determine what is the best and final offer that your company is willing to make for the purchase of Planor 2179.

[redacted] was out of the country on business for several weeks and the company was given until the middle of April to negotiate because of his absence.

"The position of the Government was that the negotiation should consist simply of a 'yes' or 'no' to the demand that \$400,000 be paid for the property.

"Finally, on April 14, the Western States Development Co. was notified by the GSA that negotiations were terminated by the company's refusal to pay the \$400,000 price for the property, and that the property would be readvertised for sale.

"On April 20, 1954, the company wrote the Administrator, protesting the arbitrary action. [redacted]

said:

5-21989-5-

"I respectfully would like to go on record in stating that I believe the action of General Services Administration in rejecting our bid and not allowing for reasonable negotiations by arbitrarily setting the market value at \$400,000 is highly unethical. It is our firm belief that this figure does not represent the fair market value of the plant and that readvertising will not result in producing a buyer for any such sum."

"The letter by [redacted] also asked 'if General Services Administration would reject the bids on readvertising in the event all of them are under the sum of \$400,000.'

"[redacted] also said, 'it is our firm belief that you are not satisfied with the price we offered for the plant purchased on April 14, 1954, and that you are not satisfied with the price we offered for the plant purchased on April 14, 1954.'

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"such a minimum sales price been provided for in the first instance, it would have saved us the time consumed and expenses incurred."

"An appeal from the rejection of the high bid was taken to the Administrator, in accordance with Department regulations. A hearing was first set on the appeal for May 27, 1954, before H. M. DURTH, chairman of the Board of Review."

"But a later communication from the GSA denied a hearing. It said the GSA had changed its mind about listening to the appeal of the Western States Development Co., and that no hearing would be held. The rejection of the high bid was final and there was to be no discussion about it."

"The significance of the whole proceeding is that it effectively discourages outsiders from bidding on Government surplus property. It means a tendency to confine this who specialize in the handling of such property. And the cost to the Government may run into millions if bidding is restricted to such a narrow coterie."

Moreover, it is strange that a San Francisco junk dealer was able to predict the Government action a few days after bids were opened, and months before final action was taken to reject the high bid. One almost wonders if certain junk dealers are setting GSA policy.

"Yours very truly,

WESTERN STATES DEVELOPMENT CO.

By:

[Redacted Signature]

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AT OAKLAND, CALIFORNIA

After his return from the pack trip, [] arranged a conference between [] and reporting agent. At this meeting [] who has business interests in Portland, Oregon and vicinity, stated that he had first heard through some one in his business that the alcohol plant at Springfield, Oregon was to be sold by the Government. He personally inspected the plant one or two times prior to any notice that bids were being taken. He also went to the General Services Administration (GSA) Office in Seattle concerning information about the plant and was told that he would be invited to submit a bid.

During this time he was discussing with [] concerning a company to handle the deal at the plant. [] and titled the company Western State Development Company. [] and is represented by an Attorney [] member of the firm of Heller, Ehrman, White and McAulliffe, 14 Montgomery Street, San Francisco.

[] and [] decided that they would be able to use the plant for expansion of interest of both men and if it proved more feasible to use the plant to make alcohol, they would possibly expand their steel interests to that plant. [] stated that he had numerous discussions with [] of the plant at Springfield, Oregon. They agreed to submit their bid and actually had [] personally take the bids to Seattle and be present when the bids were opened. They stated that they did present their bid in this manner in view of the fact that they were afraid that some possibility existed that if their bid were presented prior to the opening time it might somehow be overbid.

While at the opening of the bids, [] made a list of these bids and these bidders were as set out above in letter written by [] to Congressman ROY with the addition of one bid by [] of Seattle, Washington, in which no [] bid.

[] and [] were in the same place in San Francisco.

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During this trip [] stated that he and [] would like very much to talk with [] concerning this deal. They appeared at [] office in Oakland and wanted to be taken in as partners in the deal, stating this would assure that the bid would be accepted.

About ten days or two weeks later, following the meeting between [] and [] telephonically contacted [] stating that he would give [] \$10,000 for the deal and bid on the alcohol plant, otherwise the bid would be thrown out. [] stated he had no further contacts with any of these persons until approximately July 10, 1953, when [] again called wanting to know if [] was again going to bid on the plant which had been readvertised for sale.

[] thought that the meeting between himself, [] and [] was approximately November 16, 1953, a few days after the bids had been opened.

Most of the negotiations concerning the plant with GSA officers at Seattle was handled by [] [] had numerous contacts and conferences with GSA officials and prepared reports for [] and [] concerning these various contacts.

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In order to assure the Chamber of Commerce of Springfield and Eugene, Oregon, of their sincerity, [] and [] originally offered to sell the plant facilities to the city of Springfield at the going market price should they be unable to establish a business in the plant. Subsequently they agreed to sell or deed the property to the city of Springfield at a nominal fee of \$1 if they were not able to operate the business during three years following the start of their occupancy.

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Both [] and [] thought that they had made a legitimate bid and were sincere in their efforts at starting a business in the plant and that they had not all requirements properly. Both feel that [] and [] were sincere in their efforts.

in this respect the plant has been readvertised for bids and one of the papers in which the ad was placed was the San Francisco Examiner on June 22, 1954. The bid does not specify a minimum amount which will be accepted as was previously stated by General Services Officers in Washington and Seattle. The bids are to be opened at 11:00 AM Pacific Standard Time, September 15, 1954 at Seattle. The wording of the bid other than the time is identical with the bid advertising which was previously placed and under which bids were opened on November 10, 1953.

At the time of the interview [redacted] provided a better list of the bidders than those shown in the letter of [redacted] and also addresses of the bidders that are as follows:

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Dulien Steel Products
PO Box 3386, Seattle, Washington

Hugo New Corporation
31 Nassau St., New York

[illegible]

two men, in addition to the two men mentioned above, who are qualified to do the work on this plant and

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felt that they had been deprived of their proper hearings under GSA regulations at the time they were informed of an arbitrary figure of \$400,000 as a minimum price acceptable in the plant. Both stated that it was their belief that the GSA had previously appraised the building at \$180,000 as a non-operating plant and \$400,000 as an operating plant.

Both felt that inasmuch as the plant has not operated successfully since the war it could not be considered an operating plant and that the \$180,000 figure should have been the proper appraisal amount. Both stated they had suspicions as to why their bid was balked but could provide nothing specific, but thought possibly the actions and workings of TALLEN and other scrap metal dealers was instrumental in their bid being rejected.

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During the original meeting between [redacted] and [redacted] and agents [redacted] and [redacted] advised that he had attended a meeting at Congressman YORTY's office in Washington, D.C. about May 7, 1954. At this meeting were Mr. YORTY, two of his secretaries and several GSA officials. Mr. [redacted] further believes that Mr. YORTY will have a record of this meeting and be able to identify all persons present. At this meeting GSA officials assured that no action would be taken until June 30, 1954 and that he or Western States Development Company would be notified of any action. At this meeting GSA officials indicated they had some one who was willing to pay \$400,000 for the plant. [redacted] was not sure that Congressman YORTY had heard the statements concerning the \$400,000 because Congressman YORTY was in and out of the office on numerous occasions answering roll calls on the House floor.

[redacted] further stated that he personally read a GSA report in Washington, D.C. concerning the Government appraisal of \$180,000 as a non-operating plant. [redacted] is sure that this should be in the GSA files.

46-21988

[redacted] formerly

44-3351

ADMINISTRATIVE PAGE

The Bureau has advised that all leads in this case should receive immediate attention and reports should be submitted promptly.

For the information of the Los Angeles Division, instant plant is known as the Willamette Valley Wood Chemical Plant, Springfield, Oregon, Plancon 2179.

LOS ANGELES DIVISION

AT LOS ANGELES, CALIFORNIA

Will interview Congressman SAMUEL W. YORTY for information concerning his knowledge and any record he may have as to instant transaction and conferences he had concerning it. He should be contacted through [REDACTED]

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PORTLAND DIVISION

AT ROSEBURG, OREGON

Will interview Congressman HARRIS ELLSWORTH, 317 Pacific Building, who is familiar with the alcohol plant at Springfield, Oregon, and was instrumental in its original erection. He should be interviewed concerning his knowledge of instant transaction and possible knowledge of any reasons why the bids were not accepted as set out by GSA. He should be questioned concerning any knowledge of reasons for GSA not accepting the bids as well as who in GSA was involved and insisted on the \$400,000 minimum price.

Will interview [REDACTED] at San

[REDACTED] at Portland.

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FEDERAL BUREAU OF INVESTIGATION

Form No. 1

THIS CASE ORIGINATED AT SEATTLE

REPORT MADE AT LOS ANGELES	DATE WHEN MADE 10/6/54	PERIOD FOR WHICH MADE 9/29, 10/1/54	REPORT MADE BY [REDACTED]
TITLE UNKNOWN SUBJECTS, ALLEGED IRREGULARITIES IN DISPOSAL OF SURPLUS PROPERTY BY GENERAL SERVICES ADMINISTRATION; CONGRESSMAN SAMUEL W. YORTY - COMPLAINANT			CHARACTER OF CASE FRAUD AGAINST THE GOVERNMENT BRIBEERY

SYNOPSIS OF FACTS:

Congressman SAMUEL W. YORTY unable to furnish any additional information regarding this matter. He states he has never held or attended any conferences regarding this matter and said [REDACTED] was confused when he said conference held in YORTY'S office.

- RUC -

DETAILS:

[REDACTED] for Congressman SAMUEL W. YORTY, was contacted at YORTY'S Campaign Headquarters, Room 304A, 711 South Hill Street, Los Angeles, California, on September 29, 1954 and October 4, 1954. As a result of these contacts, Mr. YORTY telephonically contacted the writer on October 4, 1954.

Mr. YORTY advised that other than the information set forth in the letter received by him from [REDACTED] he has no information regarding this matter. He related that at no time has he ever attended or held a meeting in his office regarding this matter. He said [REDACTED] was confused when he stated that a meeting was held in Mr. YORTY'S office at Washington, D. C. and said if such a meeting was held it must

1-CC GSA
3-11 RAB

10-15-54
[initials]

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12-28-68

has been in the office of some other Congressman. Mr. YORTY expressed the desire to cooperate in any manner with this Bureau, but added that all the information he has in his possession is contained in [redacted] actual, which was forwarded to the Justice Department.

- RUC -